

## **ISSUE: *THE HOME OWNERSHIP FOR AMERICA'S VETERANS ACT (H.R. 551)***

On January 18, 2007, Rep. Susan Davis (D-CA) and Rep. Wally Herger (R-CA) introduced H.R. 551 to make today's wartime veterans eligible for the Cal-Vet Home Loan program. Current federal law restricts the eligibility for home loan programs financed by state tax-exempt bonds, called Qualified Veterans Mortgage Bonds (QVMB), to veterans who entered the military prior to January 1, 1977.

**Problem:** Five states – Alaska, California, Oregon, Texas, and Wisconsin – offer veterans home loans financed by QVMB. In each Congress since the 102<sup>nd</sup> in 1991-92, these five states have asked Congress to repeal the provision requiring veterans to have served prior to 1977 to be eligible for mortgages financed through these bonds. The five states have argued that veterans who served during the first Persian Gulf War and the current Global War on Terror are being denied a benefit that veterans who served in World War I, World War II, the Korean War, and the Vietnam War received.

Last year, federal legislation was enacted to remove this restriction and open eligibility for all wartime veterans in Alaska, Oregon, and Wisconsin. However, the 1977 restriction remains in California and Texas.

**Summary:** H.R. 551 would eliminate the enlistment date restriction for eligible veterans in California and Texas, thus giving all wartime veterans in California and Texas the same benefit bestowed on wartime veterans in Alaska, Oregon, and Wisconsin. The bill also inserts an inflation adjustment schedule to increase the bond limit for each participating state beginning in 2011.

Enactment of this legislation will restore equality to our veterans. Why should California and Texas veterans not receive the same gratitude by the United States government for whom they went to war? They deserve the same respect, the same benefit and equal treatment as those veterans in Alaska, Oregon and Wisconsin.

If enacted, H.R. 551, the *Home Ownership for America's Veterans Act of 2007*, will allow the Cal-Vet Home Loan program to be offered to any California wartime veteran. With the high cost of housing in California, this program may be the only opportunity some veterans have for home ownership.

**Cal-Vet Home Loan Program:** The California Veteran Home Loan Program (Cal-Vet Home Loan program) is financed through the sale of voter-approved general obligation bonds pursuant to federal law (Section 143 (1) of the Internal Revenue Code). These bonds are generally tax exempt at both the state and federal levels, and are referred to as Qualified Veterans Mortgage Bonds (QVMB) in the Internal Revenue Code. The Cal-Vet Home Loan program operates at no direct cost to taxpayers.

## **BACKGROUND**

Each state gave its soldiers returning from World War I certain benefits in gratitude for serving their country. These benefits ranged from wartime bonuses to educational assistance. California, along with four other states, chose to provide low interest home loans to its veterans.

Established in 1921, the Cal-Vet Home Loan program has provided more than 415,000 loans to California veterans, enabling them to purchase homes and farms they might not otherwise have been able to afford. The Cal-Vet Home Loan program served virtually all eligible California wartime veterans using QVMB prior to 1984. The state was able to issue as many QVMB as necessary to meet the demand for loans. Other states were authorized to establish similar home loan programs for veterans using QVMB, although, as of 1984, only Alaska, California, Oregon, Texas, and Wisconsin had done so.

**Tax Reform Act of 1984:** The enactment of the *Tax Reform Act of 1984* limited the veterans eligible for home loan programs financed by QVMB. The Act restricted the use of QVMB to wartime veterans who entered active duty service prior to January 1, 1977, and to those that apply for a loan within 30 years from the date of separation from active duty. Basically, the *Tax Reform Act of 1984* limited eligible veterans to those who served in World War II, the Korean War and the Vietnam War. Veterans who entered the service after January 1, 1977

are not eligible for the use of QVMB under the Cal-Vet Home Loan program. This prevents veterans of Desert Storm and Desert Shield, the Global War on Terror, and all recent and future conflicts, from being eligible for this benefit.

The Tax Act also capped the amount of QVMB states could issue (California's cap is \$340 million per year). Further, it prevented other states from starting new veterans home loan programs, but allowed Alaska, California, Oregon, Texas, and Wisconsin to continue the use of QVMB for their veterans home loan programs.

These provisions were intended to save money for the federal government by limiting the number of tax-exempt bond programs and by "sunsetting" (ending) existing state-sponsored veteran home loan programs by creating restrictions so that eventually no veterans will be eligible. Indeed, California is rapidly reaching the point where no veterans will be eligible for loans financed by QVMB. Only 4.1% of California's veterans are eligible for these loans in 2007. This drops to 3.4% in 2008. Most of these veterans are older veterans, not the younger ones most in need of this mortgage opportunity.

## **LEGISLATIVE ACTION 2006**

Legislation passed during the 109th Congress expanded the eligibility to all wartime veterans for Alaska, Oregon, and Wisconsin. For Alaska, Oregon, and Wisconsin only, the enactment of the *Tax Increase Prevention and Reconciliation Act* and *Tax Relief and Health Care Act Amendments of 2006* repealed the provision requiring veterans to have served prior to 1977 to be eligible for these mortgages. It also reduced the time veterans can apply for these loans from 30 years to 25 years after ending their military service.

Now any wartime veteran in Alaska, Oregon, and Wisconsin is eligible to apply for these loans.

In California and Texas only wartime veterans entering the service prior to January 1, 1977 are eligible.

**HR 4297:** The *Tax Increase Prevention and Reconciliation Act (Public Law 109-222)* was signed by the president on May 17, 2006. The final agreement changed the law for Alaska, Oregon, and Wisconsin by repealing the provision requiring veterans to have served prior to 1977 to be eligible for mortgages financed by QVMB. It also limits the time veterans can apply for the loans from 30 years to 25 years after ending their military service. HR 4297 subjected the issuance of bonds in these three states to new volume cap limitations phased in between 2006 and 2010. This provision placed a sunset date on the programs in these three states.

**HR 6111:** The *Tax Relief and Health Care Act Amendments of 2006 (Public Law 109-432)* was signed by the president on December 20, 2006. This bill repealed the sunset language previously in place and permanently extends the authority to issue qualified veterans mortgage bond loans for Alaska, Oregon, and Wisconsin.

## **PROPOSERS**

The following have endorsed similar legislation in past Congresses: the Governor of California and the California State Legislature; The American Legion - Department of California; Veterans of Foreign Wars - Department of California; Disabled American Veterans - Department of California; California Association of Realtors; California Building Industry Association; California Association of Mortgage Brokers and the National Association of State Directors of Veterans Affairs.